

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-5-G - ORDER NO. 2002-837
DECEMBER 11, 2002

IN RE: Annual Review of Purchased Gas Adjustments) ORDER DENYING IN
(PGA) and Gas Purchasing Policies of South) PART AND GRANTING
Carolina Electric & Gas Company.) IN PART MOTION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition for Reconsideration and/or Clarification of our Order No. 2002-747 filed in this Docket by the Consumer Advocate for the State of South Carolina (the Consumer Advocate). Because of the reasoning stated below, the Petition is denied in part and granted in part. The Consumer Advocate requests further Commission discussion on both firm transportation and diversification of supply source issues.

First, the Consumer Advocate asks the Commission to reconsider its decision to not require South Carolina Electric & Gas (SCE&G or the Company) to negotiate for firm transportation service from South Carolina Pipeline Corporation (SCPC). The Consumer Advocate asserts that unless SCE&G has the means to transport gas on a firm basis, diversifying its supply sources is meaningless. With the approval of the contract between SCPC and the City of Orangeburg in Docket No. 2002-247-G, the Consumer Advocate states a belief that firm transportation service is now available from SCPC, and that it cannot legally be withheld from SCE&G if it makes such a request. The Consumer

Advocate goes on to state that our future prudence reviews of SCE&G should consider both alternative sources of supply and a method to transport that gas to the customers.

We disagree with the Consumer Advocate that our approval of the firm transportation contract between SCPC and Orangeburg necessarily means that firm transportation service must be made available to SCE&G. The approval of the SCPC-Orangeburg contract was limited to those two parties. If SCE&G and SCPC come before this Commission with a request for approval of a contract for firm transportation of gas, we would certainly consider it. However, approval of the contract for SCPC and Orangeburg does not necessarily mean that the same service should be made available to SCE&G, without our specific examination of the terms of a particular contract that might be offered for our approval. We hold that such contracts must be examined on a case-by-case basis. Unless and until SCPC proffers a general tariff for firm gas transportation to this Commission for possible approval, we believe that the better policy is to let such negotiations occur on a voluntary basis, so that we can examine the circumstances and terms of each proposed contract.

In short, we deny the portion of the Consumer Advocate's Petition that would ask us to require SCE&G to negotiate for firm transportation service from SCPC. We do not agree at this time that there is a legal requirement that SCPC must furnish firm transportation service to SCE&G, or that, because such service to Orangeburg is the subject of a contract between Orangeburg and SCPC, that we ought to require SCE&G to negotiate for firm transportation service with SCPC. See Commission Order No. 2002-742.

Second, in response to the Consumer Advocate's motion to require SCE&G to seek other sources of supply other than SCPC, the Commission found that SCE&G should be required to provide the Commission with quarterly updates related to its review of the benefits of diversifying the Company's natural gas supply. The Consumer Advocate states that our decision on this matter should be reconsidered or clarified, because, according to the Consumer Advocate, it is unclear what SCE&G is required to provide the Commission, and how what is provided by the Company will be used by the Commission. The Consumer Advocate asserts that a literal reading of our requirement as described in Order No. 2002-747 would allow SCE&G, without any consequences, to report that it did nothing at all to explore diversifying its source of supply. In addition, the Consumer Advocate recommends several pieces of information that should be included in the Company's required reports to this Commission. SCE&G, in reply to the Consumer Advocate's allegations, denies that the Commission Order is unclear and can be virtually ignored without penalty. SCE&G notes that this Commission has instructed it to provide quarterly information concerning the "Company's review of the benefits of diversifying" its natural gas supply. SCE&G further notes that, under South Carolina law, the Commission is "vested with power and jurisdiction to supervise and regulate the rates and service of every public utility in this State," and its orders, issued under the powers and authority vested in the Commission, have the force and effect of law. Basically, SCE&G's position is that the Commission's Order is a directive, and that SCE&G has a duty under the law to make a good faith effort to provide the information identified in the Order. Further, failure to comply could result in adverse action against SCE&G,

according to that Company. SCE&G therefore states a belief that the Consumer Advocate's claim is meritless. We agree with SCE&G.

In addition, SCE&G maintains that the recommendations for additional information made by the Consumer Advocate are unnecessary, and that the Consumer Advocate misapprehends the purpose of the PGA Review and the Commission's instructions in the original Order. SCE&G maintains that the PGA Review is designed to determine the overall prudence of the Company's gas purchasing policies, and that prudence is not a function of cost or price only, contrary to the Consumer Advocate's beliefs. Moreover, SCE&G notes, and we agree, that the Consumer Advocate has failed to demonstrate that the Company's gas purchasing requirements could be met in a more reliable manner from any source other than that currently utilized by the Company. Indeed, the testimony of W. Keller Kissam regarding the prudence of SCE&G's continued reliance on SCPC for SCE&G's firm and interruptible gas needs, delivery to the Company's distribution points, and experienced administrative support, provides more than adequate support for the Commission's findings and conclusions, as noted by SCE&G. We deny the Consumer Advocate's request for additional information in the reports at this time.

However, all of this being said, we do grant clarification by stating the following. Clearly, in order to evaluate the benefits of diversification, a comparison between purchasing natural gas on the open market and transporting versus purchasing from the sale for resale tariff must be made by the Company. The Commission will review SCE&G's quarterly filings, and if modifications are needed, all parties will have an

opportunity to request that the Commission implement modifications to the filings. Thus, the parties will have the ability to make requests for changes in the reports, if appropriate.

Accordingly, the Motion of the Consumer Advocate is denied in part, and granted in part, as described above.

This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Mignon L. Clyburn
Chairman

ATTEST:



Gary E. Walsh
Executive Director

(SEAL)